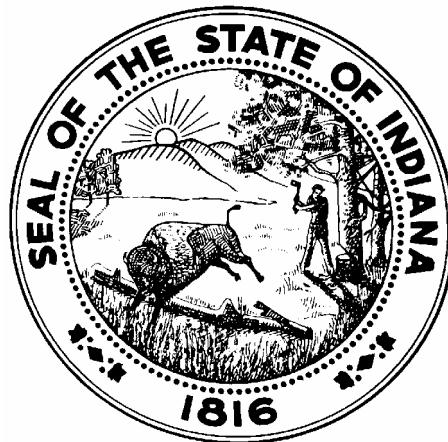


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

AUDIT REPORT  
OF  
STATE BUDGET AGENCY  
STATE OF INDIANA  
February 1, 2000 to February 28, 2003





## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Fixed Asset Inventory .....	4
SDO Fund Reconciliations.....	4
SDO Fund .....	4
SDO Object Restrictions .....	5
Attendance Reports .....	5
Contract Approvals .....	5
Exit Conference .....	6
Official Response .....	7-8

#### AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Ms. Peggy Boehm	01-13-97 to 03-06-00
	Ms. Betty Cockrum	03-07-00 to 06-30-02
	Ms. Marilyn F. Schultz	07-01-02 to 01-10-05



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE OFFICE OF THE STATE BUDGET AGENCY

We have audited the records of the State Budget Agency, for the period February 1, 2000, to February 28, 2003, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Indiana Comprehensive Annual Financial Reports.

STATE BOARD OF ACCOUNTS

June 3, 2003

STATE BUDGET AGENCY  
AUDIT RESULTS AND COMMENTS  
February 28, 2003

FIXED ASSET INVENTORY

As stated in our prior Audit Report B14070, the fixed asset inventory of the State Budget Agency is not complete as to additions and retirements and assets have not been consistently tagged upon receipt. Additionally, an annual physical inventory of assets owned has not been conducted.

Each state agency is required to report to the Auditor of State all additions and retirements of assets with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

SDO FUND RECONCILIATIONS

As stated in our prior Audit Report B14070, the State Budget Agency has not performed reconciliations of its Special Disbursing Officer (SDO) advance in a timely manner.

At least monthly, two reconciliations must be performed for the SDO fund. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

SDO FUND

The Special Disbursing Officer Fund (SDO) does not reconcile to the amount advanced. Currently, the fund is \$ 51.81 more than the amount needed to balance to the advance.

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

STATE BUDGET AGENCY  
AUDIT RESULTS AND COMMENTS  
February 28, 2003  
(Continued)

SDO OBJECT RESTRICTIONS

The State Budget Agency made SDO fund expenditures from categories not authorized in their Authority For Local Purchases.

Each SDO fund has restrictions as to expenditure categories authorized and the maximum amount of each total purchase. The special disbursing officer must be aware of the fund authority at all times. He or she must also ensure that staff assigned to perform accounting or purchasing duties for the SDO account know the fund authority. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently not dated by the supervisor.

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

CONTRACT APPROVALS

Our testing found that the State Budget Agency made payments to a vendor under contract for professional services. These contracts were in effect prior to approval by the proper officials. Internal controls are weakened when a contract is put into effect before proper approval.

IC 4-13-2-14.1 and 14.2 require that a contract to which a state agency is a party must be properly approved and in writing.

STATE BUDGET AGENCY  
EXIT CONFERENCE

The contents of this report were discussed on July 2, 2003, with Ms. Marilyn F. Schultz, Director. The official response to the audit findings has been made a part of this report and may be found on Pages 7 and 8.

The contents of this report were discussed on July 3, 2003, with Ms. Betty Cockrum, Director.

The contents of this report were discussed on July 21, 2003, with Ms. Peggy Boehm, Director.





# STATE OF INDIANA

Frank O'Bannon  
Governor

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## STATE BUDGET AGENCY

212 State House  
Indianapolis, Indiana 46204-2796  
317/232-5610

Marilyn F. Schultz  
Director

July 10, 2003

Mr. Charles Johnson  
State Examiner  
State Board of Accounts  
Indiana Government Center South  
Room E418  
Indianapolis, IN 46204

Dear Mr. Johnson:

We have reviewed the State Budget Agency Audit Results and Comments Report prepared by the State Board of Accounts and dated February 28, 2003. In accordance with IC 5-11-5-1, this letter is our response to the findings included in the report.

### *Fixed Asset Inventory*

The State Budget Agency is in the process of updating its fixed asset inventory. This process includes reporting additions and retirements, tagging assets received, and conducting an annual physical inventory of assets. The process is conducted according to the Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10.

### *SDO Fund Reconciliations*

The State Budget Agency has performed reconciliations of its Special Disbursing Officer (SDO) advance in a timely manner since the issue was brought to our attention. These reconciliations are performed according to the Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7.

### *SDO Fund*

Since brought to our attention, we have established procedures to ensure that the SDO Fund reconciles to the amount advanced. These reconciliations are performed according to the Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7.

### *SDO Object Restrictions*

As of May 12, 2003, the State Budget Agency received authorization for SDO fund expenditures for additional categories under our Authority for Local Purchases. Expenditures are made according to the Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7.

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*Attendance Reports*

The State Budget Agency has established procedures to ensure that employee attendance reports are dated by the supervisor who signs the reports. These procedures are in compliance with the Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9.

*Contract Approvals*

The State Budget Agency ensures that all its contracts receive proper approval according to IC 4-13-2-14.1 and 14.2 before execution. The contract questioned in the audit was an isolated incident that has not been repeated.

Sincerely,



Marilyn F. Schultz  
State Budget Director